

Financial Statements of

SPECIAL OLYMPICS CANADA

And Independent Auditors' Report thereon

Year ended June 30, 2021



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INDEPENDENT AUDITORS' REPORT

To the Members of Special Olympics Canada

Opinion

We have audited the financial statements of Special Olympics Canada (the Entity), which comprise:

- the statement of financial position as at June 30, 2021
- the statement of operations and changes in net assets for the year then ended
- the statement of cash flows for the year then ended
- and notes to the financial statements, including a summary of significant accounting policies

(Hereinafter referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Entity as at June 30, 2021, and its results of operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the "***Auditors' Responsibilities for the Audit of the Financial Statements***" section of our auditors' report.

We are independent of the Entity in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.



Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with Canadian accounting standards for not-for-profit organizations, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Entity's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Entity or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Entity's financial reporting process.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit.

We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.

The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Entity's internal control.



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- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

KPMG LLP

Chartered Professional Accountants, Licensed Public Accountants

Vaughan, Canada

September 11, 2021

SPECIAL OLYMPICS CANADA

Statement of Financial Position

June 30, 2021, with comparative information for 2020

	2021	2020
Assets		
Current assets:		
Cash	\$ 4,184,125	\$ 5,511,303
Accounts receivable (notes 2, 3 and 7)	1,137,770	415,428
Prepaid expenses	110,972	147,397
	<u>5,432,867</u>	<u>6,074,128</u>
Capital assets (note 4)	192,490	301,109
	<u>\$ 5,625,357</u>	<u>\$ 6,375,237</u>

Liabilities and Net Assets

Current liabilities:		
Accounts payable and accrued liabilities (note 3)	\$ 426,389	\$ 236,245
Deferred contributions (note 5)	861,658	2,263,162
	<u>1,288,047</u>	<u>2,499,407</u>
Deferred lease inducements (note 6)	1,045	25,017
Net assets:		
Unrestricted	4,336,265	3,850,813
Commitments (note 11)		
	<u>\$ 5,625,357</u>	<u>\$ 6,375,237</u>

See accompanying notes to financial statements.

On behalf of the Board:



Director



Director

SPECIAL OLYMPICS CANADA

Statement of Operations and Changes in Net Assets

Year ended June 30, 2021, with comparative information for 2020

	2021	2020
Revenue		
Grants (note 7)	\$ 6,568,693	\$ 5,801,987
Sponsorships	1,009,707	1,042,909
In-kind donations (note 9)	736,976	1,348,442
Fundraising events	3,824,375	3,475,469
Foundation (note 2)	1,475,555	1,566,278
Other	34,392	278,953
	<u>13,649,698</u>	<u>13,514,038</u>
Expenses (notes 8, 9 and Schedule)		
Program and chapter support (note 3)	9,963,678	8,889,403
Public education	1,439,960	1,703,836
Fundraising	862,774	1,506,060
Administration	897,834	1,064,895
	<u>13,164,246</u>	<u>13,164,194</u>
Excess of revenue over expenses	485,452	349,844
Net assets, beginning of year	3,850,813	3,500,969
Net assets, end of year	\$ 4,336,265	\$ 3,850,813

See accompanying notes to financial statements.

SPECIAL OLYMPICS CANADA

Statement of Cash Flows

Year ended June 30, 2021, with comparative information for 2020

	2021	2020
Cash provided by (used in):		
Operating activities:		
Excess of revenue over expenses	\$ 485,452	\$ 349,844
Items not involving cash:		
Amortization of capital assets	119,062	134,973
Amortization of deferred lease inducements	(23,972)	(23,971)
Change in non-cash operating working capital:		
Accounts receivable	(722,342)	709,426
Prepaid expenses	36,425	37,382
Accounts payable and accrued liabilities	190,144	21,554
Deferred contributions	(1,401,504)	1,768,467
	(1,316,735)	2,997,675
Investing activities:		
Purchase of capital assets	(10,443)	(7,684)
Increase (decrease) in cash	(1,327,178)	2,989,991
Cash, beginning of year	5,511,303	2,521,312
Cash, end of year	\$ 4,184,125	\$ 5,511,303

See accompanying notes to financial statements.

SPECIAL OLYMPICS CANADA

Notes to Financial Statements

Year ended June 30, 2021

Special Olympics Canada (the "Organization") is a national organization dedicated to enriching the lives of Canadians with an intellectual disability through active participation in sports. The Organization is incorporated under the Corporations Act (Ontario) as a not-for-profit organization and is a registered charity under the Income Tax Act (Canada) and, accordingly, is exempt from income taxes, provided certain requirements of the Income Tax Act (Canada) are met.

1. Significant accounting policies:

These financial statements have been prepared in accordance with Canadian accounting standards for not-for-profit organizations in Part III of the Chartered Professional Accountants of Canada Handbook. The most significant accounting policies are as follows:

(a) Revenue recognition:

The Organization follows the deferral method of accounting for contributions. Restricted contributions are recognized as revenue in the year in which the related expenses are incurred. Unrestricted contributions are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

All other revenue is recognized when delivery has occurred or services have been rendered and measurement and collection are reasonably assured.

(b) Capital assets:

Purchased capital assets are recorded at cost. Contributed capital assets are recorded only if the fair value can be reasonably estimated on the date of contribution. Repairs and maintenance costs are charged to expense. Betterments which extend the estimated useful life of an asset are capitalized. When a capital asset no longer contributes to the Organization's ability to provide services, its carrying amount is written down to its residual value. The Organization amortizes the cost of the capital assets on a straight-line basis over their estimated useful lives as follows:

Furniture and equipment	5 years
Computer equipment	3 years
Software	3 years
Leasehold improvements	Over the lease term

SPECIAL OLYMPICS CANADA

Notes to Financial Statements (continued)

Year ended June 30, 2021

1. Significant accounting policies (continued):

(c) Financial instruments:

Financial instruments are recorded at fair value on initial recognition. Freestanding derivative instruments that are not in a qualifying hedging relationship and equity instruments that are quoted in an active market are subsequently measured at fair value. All other financial instruments are subsequently recorded at cost or amortized cost, unless management has elected to carry the instruments at fair value. The Organization has not elected to carry any such financial instruments at fair value.

Transaction costs incurred on the acquisition of financial instruments measured subsequently at fair value are expensed as incurred. All other financial instruments are adjusted by transaction costs incurred on acquisition and financing costs, which are amortized using the straight-line method.

Financial assets are assessed for impairment on an annual basis at the end of the fiscal year if there are indicators of impairment. If there is an indicator of impairment, the Organization determines if there is a significant adverse change in the expected amount or timing of future cash flows from the financial asset. If there is a significant adverse change in the expected cash flows, the carrying value of the financial asset is reduced to the highest of the present value of the expected cash flows, the amount that could be realized from selling the financial asset or the amount the Organization expects to realize by exercising its right to any collateral. If events and circumstances reverse in a future year, an impairment loss will be reversed to the extent of the improvement, not exceeding the initial carrying value.

(d) Allocation and attribution of expenses:

Salaries and benefits are allocated between program and chapter support, public education, fundraising and administration. The allocation is based on a percentage-of-effort analysis performed by management to estimate the amount of time spent on each activity. Additionally, shared expenses, including expenses relating to contributed materials and services, are allocated to the same categories based on reasonable estimates of usage for each area of activity. Shared costs include rent, phones, internet and office expenses.

SPECIAL OLYMPICS CANADA

Notes to Financial Statements (continued)

Year ended June 30, 2021

1. Significant accounting policies (continued):

(e) Contributed materials and services:

Contributed materials and services are recorded only if the fair value can be reasonably estimated at the date of contribution and when the materials and services are used in the normal course of the Organization's operations and would otherwise have been purchased. Contributed materials and services in the amount of \$736,976 (2020 - \$1,348,442) have been recorded as revenue and expenses.

(f) Use of estimates:

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the year. Significant items subject to estimates and assumptions include the estimated useful lives of capital assets, allocation of expenses and the fair value of contributed materials and services. Actual results could differ from those estimates.

2. Special Olympics Canada Foundation:

The Special Olympics Canada Foundation (the "Foundation") was founded in 1997 and was created to financially support the strategic objectives of the Organization. The Organization has an economic interest in the Foundation.

As at year end, the amount receivable from the Foundation is \$45,503 (2020 - \$3,785). The amount receivable from the Foundation is non-interest bearing, is unsecured and has no fixed terms of repayment. Included in foundation revenue is \$325,976 (2020 - \$461,148) received from the Foundation during the year. The Organization also charged the Foundation \$18,000 (2020 - \$18,000) for office and rent expenses. These transactions are in the normal course of operations and are measured at the exchange amount, which is the amount of consideration established and agreed between the Organization and the Foundation.

SPECIAL OLYMPICS CANADA

Notes to Financial Statements (continued)

Year ended June 30, 2021

3. Transactions with other Special Olympics organizations:

(a) Special Olympics Inc. ("SOI"):

SOI accredits the Organization to ensure the worldwide quality, and ultimately the growth, of the Organization's movement. Accreditation is a method of assuring the Organization meets the essential core requirements of the Special Olympics mission and also certain minimum management and financial requirements. Upon compliance with the Accreditation Standards, SOI signs an Accreditation License with the Organization, which grants the Organization the legal right to use the Special Olympics name, logo and other trademarks, to conduct the Special Olympics sports and related activities, and to raise funds under the Special Olympics name. The Organization is then eligible to (i) receive sports, technical and program development training and support from SOI, including in the form of grants from SOI, (ii) participate in World and Regional Games, and (iii) participate in and benefit from other Special Olympics movement activities (such as Healthy Athletes®, Project UNIFY®, United Sports® and global public awareness events). The Organization rolls forward an annual accreditation fee based on total adjusted gross revenue from the Organization and all 12 provincial/territorial chapters.

The annual accreditation fee remitted by the Organization to SOI includes amounts collected and remitted on behalf of provincial and territorial chapters. In 2021, \$255,894 (2020 - \$49,003 accrued) was paid to SOI for the Organization and all provincial/territorial chapters. Additionally, SOI and the Organization enter into funding agreements from time to time to fund program activities by one or the other organization.

During the year, the Organization provided \$573,642 of funding to SOI for youth programming (2020 - \$573,642). During the year, the Organization made transfer payments to provincial/territorial chapters on behalf of SOI of \$418,551 (2020 - \$230,641). These transactions are in the normal course of operations and are measured at the exchange amount, which is the amount of consideration established and agreed to between the Organization and SOI.

SPECIAL OLYMPICS CANADA

Notes to Financial Statements (continued)

Year ended June 30, 2021

3. Transactions with other Special Olympics organizations (continued):

(b) Due from provincial/territorial chapters:

The Organization provides annual accreditation to 12 provincial/territorial Special Olympics Chapters (the "Chapters") to ensure the national quality, and ultimately the growth, of Special Olympics in Canada. Accreditation is a method of assuring the Chapters meet the essential core requirements of the Organization's mission and also certain minimum management and financial requirements. Subject to compliance with the terms of the accreditation and upon payment of annual accreditation fees, the Organization grants the Chapters the legal right to use the Special Olympics name, logo and other trademarks, to conduct Special Olympics sports and related activities, and to raise funds under the Special Olympics name. The Chapters are then eligible to (i) to receive sports, technical and program development training and support from the Organization, including in the form of grants from the Organization, (ii) participate in National Games, and (iii) participate in and benefit from other Special Olympics movement activities (such as Healthy Athletes®, Project UNIFY®, United Sports® and national public awareness events).

At year end, the amount receivable from provincial/territorial chapters is \$106,487 (2020 - \$103,732). Amounts due from provincial/territorial chapters are non-interest bearing, are unsecured and have no fixed terms of repayment. The statement of operations includes \$6,819,203 (2020 - \$6,140,123) paid in chapter support. These transactions are in the normal course of operations and are measured at the exchange amount, which is the amount of consideration established and agreed to between the Organization and the Chapters.

4. Capital assets:

			2021	2020
	Cost	Accumulated amortization	Net book value	Net book value
Furniture and equipment	\$ 181,466	\$ 161,796	\$ 19,670	\$ 26,670
Computer equipment	156,519	146,244	10,275	1,621
Software	319,712	319,712	–	89,054
Leasehold improvements	409,530	246,985	162,545	183,764
	\$ 1,067,227	\$ 874,737	\$ 192,490	\$ 301,109

SPECIAL OLYMPICS CANADA

Notes to Financial Statements (continued)

Year ended June 30, 2021

5. Deferred contributions:

Deferred contributions related to expenses of future years represent unspent externally restricted grants and donations for specific programs. Changes in the deferred contributions balance during the year are as follows:

	2021	2020
Balance, beginning of year	\$ 2,263,162	\$ 494,695
Amounts received relating to future years	6,016,785	5,895,164
Amounts recognized as revenue	(7,418,289)	(4,126,697)
Balance, end of year	\$ 861,658	\$ 2,263,162

6. Deferred lease inducements:

A lease inducement received in the form of a rent-free period and an allowance for leasehold improvement costs has been deferred and is being amortized on a straight-line basis over the term of the lease.

	2021	2020
Balance, beginning of year	\$ 25,017	\$ 48,988
Amortization	(23,972)	(23,971)
Balance, end of year	\$ 1,045	\$ 25,017

7. Grants:

(a) Minister of Science and Sport ("Science and Sport"):

In fiscal 2019, the Organization entered into a contribution agreement with Science and Sport for Above Core budget announcement funding to receive a maximum of \$14,000,000 for the period from April 1, 2018 to March 31, 2022. During the year, the Organization recognized \$3,957,869 (2020 - \$3,109,103) as revenue. As at June 30, 2021, included in accounts receivable is nil (2020 - \$14,807) receivable from Science and Sport.

SPECIAL OLYMPICS CANADA

Notes to Financial Statements (continued)

Year ended June 30, 2021

7. Grants (continued):

(b) Minister of Sport and Persons with Disabilities ("Sport Canada"):

In fiscal 2017, the Organization signed a contribution agreement with Sport Canada to receive a maximum of \$2,875,760 for the period from April 1, 2017 to March 31, 2018 for the purpose of funding core program activities and supporting athletes with intellectual disabilities. In fiscal 2018, this agreement was amended to provide the Organization with funding of \$3,175,760 for the period from April 1, 2017 to March 31, 2018 and \$2,875,760 for each of the periods from April 1, 2018 to March 31, 2019 and April 1, 2019 to March 31, 2020.

In fiscal 2020, the Organization signed a new contribution agreement with the Minister of Canadian Heritage ("Sport Canada") for the period from April 1, 2020 to June 30, 2021 in the amount of \$3,333,124. As at June 30, 2021, included in deferred revenue is \$692,201 (2020 - \$1,123,705) from Sport Canada. During the fiscal year, the Organization recognized \$2,607,824 (2020 - \$2,689,884) as revenue.

(c) Other:

The remaining grants of \$3,000 (2020 - \$3,000) were for other projects and received from other sources.

8. Allocated expenses:

Salaries and benefits for the year totalled \$2,813,628 (2020 - \$2,875,576) and have been allocated as follows:

	2021	2020
Program and chapter support	\$ 1,038,826	\$ 1,039,295
Public education	675,595	684,242
Fundraising	578,273	564,519
Administration	520,934	587,520
	<u>\$ 2,813,628</u>	<u>\$ 2,875,576</u>

Included in program and chapter support are salaries and benefits of \$237,242 (2020 - \$248,934) for the Above Core 2014 budget announcement.

SPECIAL OLYMPICS CANADA

Notes to Financial Statements (continued)

Year ended June 30, 2021

8. Allocated expenses (continued):

Shared expenses for the year totaled \$740,749 (2020 - \$798,325) and have been allocated as follows:

	2021	2020
Program and chapter support	\$ 190,018	\$ 218,849
Public education	67,588	88,175
Fundraising	121,252	92,222
Administration	361,891	399,079
	<u>\$ 740,749</u>	<u>\$ 798,325</u>

9. In-kind donations:

During the year, the Organization received in-kind donations from various entities for funding core program activities, promoting events and the operation of the Organization. The full amount of the donation has been recognized in in-kind donations revenue and the following expense categories:

	2021	2020
Program and chapter support	\$ 182,235	\$ 528,282
Public education	508,617	783,616
Fundraising	430	890
Administration	45,694	35,654
	<u>\$ 736,976</u>	<u>\$ 1,348,442</u>

10. Financial risks:

(a) Credit risk:

Credit risk refers to the risk that the counterparty may default on its contractual obligations, resulting in a financial loss. The Organization is exposed to credit risk with respect to cash and accounts receivable. Cash consists of deposits with a major Canadian chartered bank.

The Organization assesses, on a continuous basis, the accounts receivable and provides for any amount that is not collectible in the allowance for doubtful accounts. There has been no change to risk exposures from 2020.

SPECIAL OLYMPICS CANADA

Notes to Financial Statements (continued)

Year ended June 30, 2021

10. Financial risks (continued):

(b) Liquidity risk:

Liquidity risk is the risk that the Organization will be unable to fulfill its obligations on a timely basis or at a reasonable cost. The Organization manages its liquidity risk by monitoring its operating requirements. There has been no change to this risk exposure from 2020.

(c) Market risk:

The Organization's operations may be affected by general economic trends. In March 2020, the COVID-19 outbreak was declared a pandemic by the World Health Organization and has had a significant financial, market and social impact. The situation is dynamic and the ultimate duration and magnitude of the impact on the economy and the future financial effect on the Organization is not known at this time. The Organization continues to operate in line with recommendations of public health authorities.

Management is closely monitoring the situation and evaluating the impact of guidance and regulations implemented by medical and government bodies.

11. Commitments:

The Organization is committed under operating leases for rental of equipment and office premises, which include an estimate of the proportionate share of property taxes and operating expenses. The minimum annual payments are as follows:

2022	\$	307,917
2023		311,582
2024		313,927
2025		325,650
2026		327,994
Thereafter		963,528
		<hr/>
	\$	2,550,598

SPECIAL OLYMPICS CANADA

Schedule of Expenses

Year ended June 30, 2021, with comparative information for 2020

						2021	2020
	Program and chapter support	Above Core 2014 budget announcement	Public education	Fundraising	Administration	Total	Total
Chapter support	\$ 3,975,165	\$ 2,697,663	\$ 146,375	\$ –	\$ –	\$ 6,819,203	\$ 6,140,123
Program support	1,432,787	254,189	–	–	–	1,686,976	1,281,724
Salaries and benefits	801,584	237,242	675,595	578,273	520,934	2,813,628	2,875,576
Marketing campaign	–	230,391	482,467	1,706	–	714,564	548,453
National games	3,865	–	–	–	–	3,865	419,888
Fundraising	–	–	36,992	128,599	–	165,591	742,933
Office	37,120	–	6,428	60,093	186,676	290,317	293,622
Television broadcast	–	41,498	–	–	–	41,498	94,379
Rent	152,899	–	61,159	61,159	4,774	279,991	288,813
Sponsorship	–	–	30,944	30,944	–	61,888	120,640
Meetings and training	53,122	–	–	2,000	22	55,144	58,232
Professional fees	–	–	–	–	44,404	44,404	33,171
Amortization	–	–	–	–	119,062	119,062	134,973
Accreditation fees	–	–	–	–	14,986	14,986	49,003
Official language	35,594	10,559	–	–	–	46,153	34,918
Travel and accommodation	–	–	–	–	6,976	6,976	47,746
	\$ 6,492,136	\$ 3,471,542	\$ 1,439,960	\$ 862,774	\$ 897,834	\$ 13,164,246	\$ 13,164,194